

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Pepco Energy Services, Inc.	:	
	:	
Application for Certificate of	:	Docket No.
Service Authority under Section	:	
16-115 of the Public Utilities Act	:	

APPLICATION

Pepco Energy Services, Inc. (“PES” or “Applicant”), hereby requests that the Illinois Commerce Commission (“Commission”) grant it a certificate of service authority pursuant to Section 16-115 of the Public Utilities Act (“Act”) to serve all retail customers in the State of Illinois. In support of its application, Applicant states as follows:

1. Applicant’s Name and Street Address

The Applicant, doing business as Pepco Energy Services, Inc. and PowerChoice® by Pepco Energy Services, Inc., is located at the following address:

Pepco Energy Services, Inc.
1300 North 17th Street
Suite 1600
Arlington, VA 22209

2. Related Information

- a) The Applicant is a corporation organized and existing under the laws of Delaware to conduct business under the following names: Pepco Energy Services, Inc., and PowerChoice® by Pepco Energy Services, Inc.
- b) The Applicant’s Federal Employer Identification Number is 52-1927068.
- c) Its Registered Agent in Illinois is:

Illinois Corporation Service Company
700 South Second Street
Springfield, IL 62704

3. Contact Persons

- a) For issues related to processing this application, please contact:

Stephen J. Moore
Rowland & Moore
77 West Wacker Dr.
Suite 4600
Chicago, IL 60601
Phone: (312) 803-1000
Fax: (312) 803-0953
E-mail: steve@telecomreg.com

Peter Meier, General Counsel
Pepco Energy Services
1300 North 17th Street, Suite 1600
Arlington, VA 22209
Phone: (703) 253-1840
Fax: (703) 253-1725
E-mail: pmeier@pepcoenergy.com

- b) For issues related to retail customers, including complaint resolution, please contact:

For Commercial and Industrial:

Cathy Seguin
Pepco Energy Services
1300 North 17th Street, Suite 1600
Arlington, VA 22209
Phone: (703) 253-1669
Fax: (703) 253-1697
E-mail: cseguin@pepcoenergy.com

For Residential:

Manuel Vera, Customer Care Manager
Pepco Energy Services
1300 North 17th Street, Suite 1600
Arlington, VA 22209
Phone: (703) 253-1715
Fax: (703) 253-1725
E-mail: mvera@pepcoenergy.com

- c) For technical issues, including scheduling of generation, transmission, and distribution, and issues arising from relationships with other providers of electric services, please contact:

James Newton
Pepco Energy Services
1300 North 17th Street, Suite 1600
Arlington, VA 22209
Phone: (703) 253-1626
Fax: (703) 253-1697
E-mail: jnewton@pepcoenergy.com

4. Illinois Business Registration

Applicant has applied for reinstatement with the Department of Business Services of the Illinois Secretary of State. Applicant will provide a copy of its Illinois Business Registration as Attachment A as soon as it is approved. Approval is expected on or about the week of November 25, 2002.

5. Qualifications to Install, Operate, and Maintain Generation, Transmission, or Distribution Facilities in Illinois

The provisions of Section 16-128(a) of the Act [220 ILCS 5/16-128(a)] do not apply to Applicant. Applicant will not be responsible for installing, operating, and maintaining generation, transmission, or distribution facilities within the State of Illinois.

6. Description of Applicant's Business

Applicant is a wholly owned (100%) subsidiary of Pepco Holdings, Inc. ("PHI"), a publicly traded holding company listed on the New York Stock Exchange under the symbol POM.

Applicant offers a full range of comprehensive energy solutions, including: energy efficiency, lighting, on-site generation, project financing, electricity supply, natural gas supply, energy operations and maintenance solutions. More information on these services can be found on our web site at www.pepcoenergy.com. In 2001, Applicant served over 100,000 customers and had revenues in excess of \$600 million.

Applicant is licensed to sell electricity in Delaware, the District of Columbia, Maryland, New Jersey, New York, Pennsylvania, and Virginia. Applicant is licensed to sell natural gas in Maryland, New Jersey, Pennsylvania, and Virginia. Applicant also sells natural gas in Delaware and the District of Columbia, two jurisdictions that do not currently require licenses for natural gas sales.

Applicant has three subsidiaries: Potomac Power Resources, Pepco Building Services, and PES Home Warranty of Virginia. Potomac Power Resources owns two generating

stations (806 MW) in the District of Columbia that operate as exempt wholesale generators. Pepco Building Services has six subsidiaries: MET Electrical Testing Company, G&L Associates, Engineered Services, Inc., the Substation Test Company, Seaboard Mechanical Services, and UNITEMP, Inc. PES Home Warranty of Virginia offers energy solutions to residential customers in Virginia, Maryland, and the District of Columbia.

7. Geographic Area of Service

Applicant seeks authorization to serve customers in all utility service territories within Illinois.

8. Customers

Applicant will provide retail electric service to all customer classes, including residential, within Illinois.

9. Proof of Intent to Serve

As proof of its intent to serve customers in Illinois, Applicant has served a copy of this Application on each of the parties listed in Attachment B.

10. Certifications

Applicant certifies that it:

- a) will comply with all applicable Federal, State, regional and industry rules, practices, policies, procedures and tariffs for the use, operation, maintenance, safety, integrity, and reliability of the interconnected electric transmission system including the Open Access Same-time Information System (OASIS) mandated by 18 CFR 37 and the rules and operating guidelines and procedures of the regional or national electric reliability council(s) or organization(s) and their successors for any portion of the state in which the applicant is certified to provide retail electric service);
- b) will provide service only to retail customers that are eligible to take delivery services;
- c) will comply with informational and reporting requirements that the Commission may by rule establish;
- d) will comply with informational and reporting requirements that the Commission may establish regarding the provision of information required by Section 16-112 of the Act;

- e) complies with all other applicable laws and regulations and Commission rules and orders; and
- f) complies with all terms and conditions required by Sections 115A(a), (b), (c), and (f), 16-119, 16-123, 16-125(b) and (c), 16-127, and 16-128(a) of the Act, to the extent those Sections have application to the services being offered by the alternative retail electric supplier.
- g) will comply with the following requirements with respect to the marketing, offering and provision of products or services to small commercial retail customers:
 - 1) Any marketing materials that make statements concerning prices, terms and conditions of service shall contain information that adequately discloses the prices, terms and conditions of the products or services that the alternative retail electric supplier is offering or selling to the customer.
 - 2) Before any customer is switched from another supplier, the Applicant will give the customer written information that adequately discloses, in plain language, the prices, terms and conditions of the products and services being offered and sold to the customer.
 - 3) The Applicant shall provide documentation to the Commission and to customers that substantiates any claims made by the Applicant regarding the technologies and fuel types used to generate the electricity offered or sold to customers.
 - 4) The Applicant shall provide to the customer itemized billing statements that describe the products and services provided to the customer and their prices; and an additional statement, at least annually, that adequately discloses the average monthly prices, and the terms and conditions, of the products and services sold to the customer.
- h) The Applicant certifies that it will include materials comprising the consumer education program (pursuant to Section 16-117 of the Act [220 ILCS 5/16-117]) with all initial mailings to potential small commercial retail customers and before executing any agreements or contracts with such customers.
- i) The Applicant certifies that it will provide consumer education program materials (pursuant to Section 16-117 of the Act [220 ILCS 5/16-117]) at no charge to customers upon request.
- j) The Applicant certifies that it will provide customers on a semiannual basis information on how to obtain a list of alternative retail electric suppliers that have been found in the last 3 years by the Commission (pursuant to Section 10-108 of

the Act [220 ILCS 5/10-108]) to have failed to provide service in accordance with the terms of their contracts (pursuant to Section 16-117(g)(4)(C) of the Act).

11. Scheduling

Applicant agrees to submit good faith schedules of transmission and energy in accordance with applicable tariffs.

12. Customer Records and Information

Applicant agrees to adopt and follow rules and procedures ensuring that authorizations received from customers, customer billing records, and requests for delivery service transmitted to utilities are retained for a period of not less than two calendar years after the calendar year in which they were created.

13. Confidentiality of Customer Information

Applicant agrees to adopt and follow rules and procedures to preserve the confidentiality of customer data.

14. Consolidation of Previous Certificates of Authority

Provisions of this section do not apply to Applicant. Applicant does not have previous authority from the Commission to be an ARES.

15. Affiliates

- a) As stated in response to Question 6 above, Applicant is a wholly owned (100%) subsidiary of Pepco Holdings, Inc. ("PHI"), a publicly traded holding company listed on the New York Stock Exchange under the symbol POM.

PHI is one of the largest energy-delivery companies in the Mid-Atlantic region. Formed by the merger of Pepco and Conectiv in August 2002, PHI delivers 50,000 gigawatt-hours of power annually to more than 1.8 million customers in Delaware, the District of Columbia, Maryland, New Jersey, Pennsylvania and Virginia. Through its subsidiaries, PHI delivers regulated electricity and natural gas service and provides competitive energy products and services to residential and commercial customers.

Pepco Holdings' corporate address is: Pepco Holdings, Inc., 701 Ninth Street, N.W., Washington, DC 20068. More information on the company can be found on its web site at www.pepcoholdings.com.

- b) The names and addresses of all of Applicant's affiliated companies involved in electric retail sales or purchases in the North American continent are listed below. These affiliate relationships arise as a result of PHI's corporate structure;

Applicant has no ownership interest in or control of any of the following affiliated companies:

1) Pepco

Formerly the Potomac Electric Power Company, Pepco is engaged in the transmission and distribution of electricity in the District of Columbia and Maryland. Pepco's corporate address is: 701 Ninth Street, N.W., Washington, D.C. 20068-0001.

2) Conectiv Power Delivery

Through its subsidiaries Delmarva Power & Light and the Atlantic City Electric Company, Conectiv Power Delivery is engaged in the transmission and distribution of electricity in Delaware, Maryland, New Jersey, and Virginia. Its corporate address is: 5 Collins Drive Suite 3381, Carneys Point, NJ 08069-3628.

3) Conectiv Energy

Conectiv Energy supplies power to Delmarva Power & Light and provides wholesale power and ancillary services to the PJM power pool. Its corporate address is: Christiana Bldg., 252 Chapman Rd., P.O. Box 6066, Newark, DE 19714-6066.

16. Reciprocity

- a) Applicant certifies that it complies with Section 16-115(d)(5) of the Act [220 ILCS5/16-115(d)(5)], and that it will remain in compliance with such requirements and will annually certify such compliance to the Commission within 30 days after the anniversary date of its certification.
- b) As established by Section 16-115(d)(5) of the Act, Applicant does not own or control any facilities for the transmission or distribution of electricity. However, two of Applicant's corporate affiliates, Pepco and Conectiv Power Delivery, own transmission and distribution facilities within their service territories in Delaware, the District of Columbia, Maryland, New Jersey, and Virginia. Both companies are members of the Pennsylvania-New Jersey-Maryland Interconnection ("PJM"), a FERC-approved independent system operator. Through its tariff on file with the Federal Energy Regulatory Commission (available at www.pjm.com), PJM provides open-access, non-discriminatory transmission service to all members and market participants and operates North America's largest competitive wholesale power market. Additionally, the jurisdictions where Applicant's affiliates have facilities have open access legislation that meets the requirements of Section 16-115(d)(5).

17. Financial Qualifications

Applicant meets the financial qualifications set forth in 83 Ill. Adm. Code 451.50 and 451.320.

- a) As required by 83 Ill. Adm. Code 451.50(a), Applicant has executed a permit bond in the amount of \$300,000 in favor of the People of the State of Illinois. Applicant submits this bond in conjunction with its certification application to serve all eligible retail customers in Illinois as Attachment C.
- b) As required by 83 Ill. Adm. Code 451.320(a)(6), Applicant has scored at least 12 points on the financial ratios set forth in subsection (a)(6)(A). Applicant is attaching an exhibit with its ratio calculations and a copy of its audited financial results, with an accountant's report, for its most recent fiscal year as Attachment D.

Applicant requests confidential treatment of the financial reports in Attachment D. These documents contain information that, if released to the public, could cause the Applicant to suffer competitive harm. This information includes sensitive commercial information, financial data, and trade secrets, such as investments, expenses, and revenues. Section 7(g) of the Illinois Freedom of Information Act (5 ILCS 140/7) allows the Commission to exempt from disclosure the following:

Trade secrets and commercial or financial information obtained from a person or business where such trade secrets or information are proprietary, privileged or confidential, or where disclosure of such trade secrets or information may cause competitive harm.

The materials covered by this request fall within the above quoted exemption. Applicant requests that the Commission consider these materials to be confidential for five (5) years.

18. Technical Qualifications

- a) Applicant will not use electric generation, transmission or distribution facilities that it owns, controls or operates to serve customers in Illinois.
- b) Applicant meets the requirements of Section 451.330(b), as demonstrated in Attachment E, showing the resumes of key management and technical personnel.
- c) Applicant will provide a scheduling facility with 24 hour manned operation for coordination with control centers of scheduling changes, reserve implementation, curtailment orders, and interruption plan implementation.

- d) Applicant will have the following address, telephone number, and fax number where its staff can be reached directly at all times and agrees to maintain such numbers.

Pepco Energy Services, Inc.
1300 North 17th Street, Suite 1600
Arlington, VA 22209
Telephone: (800) 363-7449
Fax: (703) 253-1699

19. Managerial Qualifications

Applicant meets the managerial qualifications set forth in 83 Ill. Adm. Code 451.340, as demonstrated in Attachment E. This attachment contains a corporate organizational chart indicating the positions of the persons being used to meet the requirements of 83 Ill. Adm. Code 451.340.

20. Financial Qualifications for Single Billing Service

Applicant does not intend to provide single billing services. Applicant intends to use utility consolidated billing as its preferred method of invoicing and payment collection.

WHEREFORE, Applicant requests that the Commission grant its application for service authority to serve all retail customers in the State of Illinois.

Respectfully submitted,

Stephen J. Moore
Rowland & Moore
77 West Wacker Dr.
Suite 4600
Chicago, IL 60601
Phone: (312) 803-1000
Fax: (312) 803-0953
E-mail: steve@telecomreg.com

Peter Meier
General Counsel
Pepco Energy Services, Inc.
1300 North 17th Street
Suite 1600
Arlington, VA 22209
Phone: (703) 253-1840
Fax: (703) 253-1725
E-mail: pmeier@pepcoenergy.com

VERIFICATION

David Zabetakis, being first duly sworn, deposes and says that he is President, Home and Small Business Group of Pepco Energy Services, Inc., that he has read the foregoing Application of Pepco Energy Services, Inc. and all of the attachments accompanying and referred to within the Application, and that the statements contained in the Application and the attachments are true, correct and complete to the best of his knowledge, information and belief.

David Zabetakis
President
Home and Small Business Group

Subscribed and sworn before me this 13th day of November 2002.

Sarah Armstrong
Notary Public

[Stamp of Notary]

Illinois Business Registration

Applicant has applied for reinstatement with the Department of Business Services of the Illinois Secretary of State. Applicant will provide a copy of its Illinois Business Registration as soon as it is approved. Approval is expected on or about the week of November 25, 2002.

Notice of Service

Applicant certifies that it caused notice of Pepco Energy Services, Inc.'s intent to serve in the local distribution territories listed below by serving a copy of this Application on each of the following utilities by Federal Express concurrent with its submittal to the Illinois Commerce Commission.

a) Central Illinois Light Company:

Nick T. Shea
Director, Rates & Regulatory Affairs
300 Liberty St.
Peoria IL 61602

b) Central Illinois Public Service Company:

Robert J Mill
607 E. Adams St.
Springfield IL 62739

c) Commonwealth Edison Company:

Anne R Pramaggiore
Associate General Counsel
PO Box 805398
Chicago IL 60680-5398

d) Illinois Power Company:

Kathryn L Patton
Sr. Vice President & General Counsel
500 S. 27th St.
Decatur IL 62521-2200

e) Interstate Power Company:

Darcy L Hackel
Regulatory and Restructuring
Alliant Energy
222 W. Washington Ave.
PO Box 192
Madison WI 53701-0192

f) MidAmerican Energy Company:

Robert P Jared
Regulatory Law & Analysis
106 E. Second St.
PO Box 4350
Davenport IA 52808

g) Mt. Carmel Public Utility Company:

Eric Bramlet
Koger & Bramlet,
P.C. 316 %Market St.
PO Box 278
Mt. Carmel IL 62863

h) South Beloit Water Gas and Electric Company:

David Eley
12014 Waxwing Ct.
Roscoe IL 61073

i) Union Electric Company:

James A Tiskos
Corporate Assistant
Ameren Services Company
607 E. Adams St.
Springfield IL 62739

Permit or License Bond

**Confidential and Business Proprietary Treatment
Requested under 83 Ill. Adm. Code 200.430**

This Attachment contains:

Financial Ratio Scores pursuant to 83 Ill. Adm. Code 451.320(a)(6) and
Pepco Energy Services, Inc.'s Audited Financial Statements for Fiscal Year 2001

**Confidential and Business Proprietary Treatment
Requested under 83 Ill. Adm. Code 200.430**

Eddie R. Mayberry

President and Chief Executive Officer, Pepco Energy Services, Inc.

Eddie R. Mayberry is President and Chief Executive Officer of Pepco Energy Services and Senior Vice President of Pepco Holdings, Inc. (PHI). Since 1980, Mr. Mayberry has held various positions with Pepco, including Manager of the Forecast Division, Manager of Rate Economics and Manager of Market Planning and Policy. He became President and CEO of Pepco Energy Services in 1995.

Mr. Mayberry received his A.B. and Ph.D. degrees in economics from the University of North Carolina, Chapel Hill. He is a member of the American Economic Association, Marketing Executives Conference and the Southern Economic Association. He is a past member of Electric Power Research Institute's Demand Side Planning Advisory Task Force and the Board of Advisors for the University of Michigan Public Utility Executive Program.

From 1975 to 1978, Mr. Mayberry was Assistant Professor of Economics at George Mason University. From 1978 to 1980, Mr. Mayberry was an economist and Director of Economic Research with the staff of the North Carolina Utilities Commission. Mr. Mayberry has also taught graduate and undergraduate courses in economic theory, public finance and utility regulation at George Mason University.

Mark S. Kumm

President, Asset Management Group, Pepco Energy Services, Inc.

Mark S. Kumm is President of the Asset Management Group (“AMG”) for Pepco Energy Services, Inc. As President of AMG, his responsibilities include commodity sales to large commercial and industrial customers, wholesale procurement, and the development and implementation of new commodity-related products and services for the large commercial and industrial customer segment.

Prior to joining Pepco Energy Services in mid-1999, Mr. Kumm worked for the parent company of Pepco Energy Services, the Potomac Electric Power Company (“Pepco”). He began his career at Pepco in 1984, holding a number of analytical and managerial positions, including Manager of the Market Planning and Policy Group. His responsibilities included management and monitoring of verification studies for conservation and load management programs, marginal and avoided cost studies, market and load research, evaluation and planning for DSM programs, and the development and marketing of products and services delivered by the utility.

Mr. Kumm is trained as an economist, holding a Bachelor’s Degree in Economics from the University of Missouri and a Ph.D. in Economics from Duke University.

David Zabetakis

President, Home and Small Business Group, Pepco Energy Services, Inc.

David Zabetakis is President of Pepco Energy Services, Inc.'s Home and Small Business Group. In this capacity, Mr. Zabetakis oversees Pepco Energy Service's residential and commercial business for electricity, natural gas and a variety of energy related products and services throughout the mid-Atlantic region.

Before joining Pepco Energy Services, Mr. Zabetakis participated in one of the first deregulated energy markets when he served as Vice President for Marketing and Sales at New Hampshire's Unitol Corporation. Prior to Unitol, he served as Manager for New Business Development at Washington Gas Light Company in Washington, D.C.

Mr. Zabetakis earned an MBA from Loyola College in Baltimore, Md., and served in the Tactical Air Command of the US Air Force.

Caryn Bacon

Vice President, Customer Operations, Asset Management Group
Pepco Energy Services, Inc.

Ms. Caryn Bacon manages the billing, customer analysis, forecasting and reconciliation for Pepco Energy Services' retail electricity customers. Her current responsibilities include managing the electronic data interchange transactions used to communicate with electric distribution companies, providing bills to large commercial governmental, institutional and industrial electric customers, and responding to customer inquiries.

Ms. Bacon has more than 20 years of utility experience. She joined Pepco Energy Services at the end of 1998 and was integral to the implementation of supplying retail electricity customers in Pennsylvania. Her responsibilities include arranging for membership with PJM, applying for all necessary transmission service agreements, negotiating wholesale energy and installed capacity supply contracts, forecasting and supplying energy to match retail load and coordinating with each EDC and all regulatory agencies in various retail matters.

Prior to working at PES, she worked in the Bulk Power Management Division at PEPCO where she managed the company's mid and long-term wholesale trading and Marketing efforts, including wholesale supply of electricity and installed capacity to retailers in Pennsylvania. Ms. Bacon has a Bachelor of Science in Materials and Mechanical Engineering from Duke University and a Master of Science in Materials and Mechanical Engineering from George Washington University. She is a registered Professional Engineer in Virginia. Ms. Bacon is Pepco Energy Services' representative on PJM's Reliability Assurance Committee and Member's Committee.

James Newton

Manager, Commercial Wholesale Operations, Asset Management Group
Pepco Energy Services, Inc.

Mr. James Newton currently manages the daily operations of the Pepco Energy Services' transactions desk. His responsibilities include the implementation of PES' hedging strategies and procurement for commercial, industrial and residential electricity loads in Pennsylvania and Maryland. Mr. Newton has extensive experience in the electric ity industry. Most recently, he has worked in the Bulk Power Management Division at PEPCO where he managed the company's short-term wholesale trading and marketing efforts and optimized generating unit dispatch. Prior to the formation of the Bulk Power Management Division, Mr. Newton helped to develop and maintain PEPCO's production cost models and worked with a team to develop the Bi-annual Integrated Resources Plan. Mr. Newton holds a Bachelors degree in Mechanical Engineering from the University of Maryland at College Park and a MBA from George Washington University.

Pepco Energy Services, Inc.

